

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOHN W. PARSONS, ESQ., *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | ROBERT B. MCCARTHY | JENNIFER F. SULLIVAN

MEMORANDUM

TO: Lexington Retirement Board

FROM: John W. Parsons, Esq., Executive Director

RE: Approval of Funding Schedule

DATE: November 9, 2020

This Commission is hereby furnishing you with approval of the revised funding schedule the Board recently adopted (copy enclosed). The schedule assumes payments are made quarterly and is effective in FY21 (since the amount under the prior schedule was maintained in FY21).

We note the Board maintained the 7.50% investment return assumption used in the 2016 and 2018 valuations. Although this assumption is acceptable, we believe it is at the high end of a reasonable range of investment return assumptions as of January 1, 2020. We note that we have generally recommended an assumption between 6.90% and 7.15% for our 2020 local system valuations. For comparison, there are 70 systems currently using an assumption of less than 7.50%.

The Board also updated the generational mortality assumption as part of this valuation.

Aside from the potential impact of plan provision or assumption changes, net losses with respect to any of these assumptions in the 2020 or future valuations would increase plan liabilities, extend the period until reaching full funding, and could require larger future appropriations than the amounts shown on the attached schedule. We note the appropriation levels increased and the amortization period extended four years from that of the prior schedule even though the system updated only the mortality assumption.

We are available to discuss these issues further. If you have any questions, please contact PERAC's Actuary, John Boorack, at (617) 666-4446, extension 935.

JWP/jfb

P:\actuarial\APPROP\Approp21\lexington approval.docx

Enc.



Town of Lexington Contributory Retirement System

Proposed Mortality, 14K, 2028

http://shermanactuary-my.sharepoint.com/personal/dan_shermanactuary_com/Documents/Recovered Data/Lexington/2028/Lexington20_Val Prop Mortality.xlsm Approp. Results

Appropriation Forecast

Fiscal Year	Employee Contribution	Employer Normal Cost with Interest	Amortization Payments with Interest	Employer Total Cost with Interest	Employer Total Cost % of Payroll	Unfunded Actuarial Liability	Funded Ratio %**
2021	\$3,941,231	\$1,572,302	\$5,183,235	\$6,755,537	15.4	\$44,614,237	79.9
2022	4,159,423	1,599,560	5,900,440	7,500,000	16.4	41,530,647	81.8
2023	4,389,271	1,626,088	6,623,912	8,250,000	17.2	38,739,933	83.5
2024	4,631,383	1,651,764	7,348,236	9,000,000	18.0	34,981,869	85.5
2025	4,886,396	1,676,458	8,073,542	9,750,000	18.6	30,183,874	87.9
2026	5,154,983	1,700,029	8,799,971	10,500,000	19.2	24,267,822	90.5
2027	5,437,847	1,722,327	9,527,673	11,250,000	19.7	17,149,620	93.5
2028	5,735,730	1,743,190	9,268,690	11,011,880	18.4	8,738,748	96.8
2029	6,049,410	1,762,442	0	1,762,442	2.8	0	100.0
2030	6,379,707	1,779,897	0	1,779,897	2.7	0	100.0
2031	6,727,481	1,795,355	0	1,795,355	2.6	0	100.0
2032	7,093,636	1,808,599	0	1,808,599	2.5	0	100.0
2033	7,479,121	1,819,399	0	1,819,399	2.4	0	100.0
2034	7,884,936	1,827,509	0	1,827,509	2.4	0	100.0
2035	8,312,128	1,832,665	0	1,832,665	2.3	0	100.0
2036	8,761,801	1,834,583	0	1,834,583	2.2	0	100.0
2037	9,235,112	1,832,964	0	1,832,964	2.1	0	100.0
2038	9,733,279	1,827,484	0	1,827,484	2.0	0	100.0
2039	10,171,277	1,909,720	0	1,909,720	2.0	0	100.0
2040	10,628,984	1,995,658	0	1,995,658	2.0	0	100.0
2041	11,107,288	2,085,462	0	2,085,462	2.0	0	100.0
2042	11,607,116	2,179,308	0	2,179,308	2.0	0	100.0
2043	12,129,436	2,277,377	0	2,277,377	2.0	0	100.0
2044	12,675,261	2,379,859	0	2,379,859	2.0	0	100.0
2045	13,245,648	2,486,953	0	2,486,953	2.0	0	100.0
2046	13,841,702	2,598,866	0	2,598,866	2.0	0	100.0
2047	14,464,579	2,715,814	0	2,715,814	2.0	0	100.0
2048	15,115,485	2,838,026	0	2,838,026	2.0	0	100.0
2049	15,795,681	2,965,737	0	2,965,737	2.0	0	100.0
2050	16,506,487	3,099,196	0	3,099,196	2.0	0	100.0
2051	17,249,279	3,238,659	0	3,238,659	2.0	0	100.0
2052	18,025,497	3,384,399	0	3,384,399	2.0	0	100.0

** As of 1/1 prior to beginning of fiscal year